

# Metropolitan King County Council

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**Cheryle A. Broom**  
*King County Auditor*

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## MANAGEMENT LETTER

DATE: July 29, 2003

TO: Metropolitan King County Councilmembers

FROM: Cheryle A. Broom, County Auditor

SUBJECT: Review of report on food establishment permit fees

This letter presents the results of our review of a report to the Metropolitan King County Council on food establishment permit fees. A proviso in the 2003 budget required that the Department of Public Health (DPH) review how it allocates investigation and code enforcement costs in the fees for environmental health permits to see if the costs of those functions could be charged specifically to the entities not meeting standards, as opposed to sharing those costs with the entities that are meeting standards, and report its findings and recommendations to the council. In our annual work program, the council requested that we review key findings, analysis, and recommendations of the DPH report. The County Executive issued the report on July 1<sup>st</sup>.

Our review essentially supports the conclusions in the executive's report. The executive states that a subcommittee of Public Health's Food Advisory Committee, composed of representatives from the restaurant and food industries, reviewed the current permit fee structure and recommended against changing it to charge separately for investigation or code enforcement activities. This conclusion is consistent with our observations of committee meetings and communications among committee members. The fee review process that we observed appeared open and fair and allowed for all opinions to be heard.

### BACKGROUND

The Division of Environmental Health Services (EHS) issues annual permits for food establishments, including restaurants, taverns, caterers, food stands, espresso carts, deli sections in grocery stores, and bed-and-breakfasts that serve food. Permit fees are based on the type of food establishment and reflect the level of services provided to that establishment type.

The budget proviso required a review of the permit fee structure to determine the feasibility and fairness of billing separately for investigative and code enforcement activities. Investigation activities include complaint investigations and follow-ups, determining if a business is operating without a permit, food-borne illness investigations, and sample collections. Code enforcement includes follow-up inspections on previous violations, administrative hearings, and report preparation and review related to code violations. Under the current fee structure, the costs of these services are included in the permit fee.

## **METHODOLOGY**

To prepare for the report review, we observed the fee structure review process. We attended meetings of the Food Advisory Committee and its Proviso Review Subcommittee. We also reviewed e-mails between EHS and members of the subcommittee, including discussion materials and feedback, and provided technical feedback to EHS on their analysis for the subcommittee. We did not analyze the rate-setting methodology for food establishment permits beyond a comparison of permit fees done by DPH.

## **THE FEE STRUCTURE REVIEW PROCESS**

The Proviso Review Subcommittee that reviewed the fee structure was made up of four volunteers from the Food Advisory Committee, as described in the executive's letter. The Food Advisory Committee is a group of representatives from the food and restaurant industries that advises the Environmental Health Services Division.

Subcommittee members discussed each activity included in investigations and code enforcement to identify those that might be suitable for separate billing. They tentatively agreed that none of the activities appeared appropriate for billing separately. Before reaching a final decision, however, they decided to look at the savings in permit fees if permit investigations (i.e., determining if a business is operating without a permit) were billed separately. EHS staff ran a comparison of permit fees with and without the costs of permit investigations to identify savings for each permit type. (A summary of the EHS comparison is attached.) The members agreed that the potential savings to permit holders were not enough to justify separate billing.

Based on their review, subcommittee members unanimously concluded that investigative and code enforcement activities should not be billed separately. One of their primary reasons was concern that charging separately for these services could create the perception among permit holders that inspectors were motivated to find violations in order to generate revenue. They also cited predictability of the permit fees as a strength of the current system. The subcommittee's recommendation to keep the current fee structure was presented to the Food Advisory Committee in April. The Food Advisory Committee concurred.

We would like to express our appreciation to management and staff of the Environmental Health Services Division for their cooperation during our review. If you have any questions regarding this letter or the issues discussed, please contact Nancy McDaniel, David Reynolds, or me at 296-1655.

### **Attachment**

CB:NM:DR:jl:G:\PROJECTS\EHS Fees\Amanagement letter.doc

cc: Ron Sims, County Executive  
Sheryl Whitney, Assistant County Executive  
Alonzo Plough, Director, Department of Public Health  
Greg Kipp, Chief Administrative Officer, Department of Public Health  
Ngozi Oleru, Division Director, Environmental Health Services  
Phil Holmes, Assistant Division Director, Environmental Health Services  
Doug Stevenson, Lead Legislative Analyst, LJHS Committee  
Dave Lawson, Manager, Executive Audit Services

## ATTACHMENT

### COMPARISON OF PERMIT FEES WITH AND WITHOUT PERMIT INVESTIGATION

Permit Type	Permit Fee	Permit Fee Excluding Permit Investigation	Difference
Restaurants 1-75 seats	\$561	\$549	\$12
Restaurants 75-150 seats	\$617	\$609	\$8
Restaurants 151-250 seats	\$712	\$705	\$7
Restaurants over 250 seats	\$736	\$732	\$4
Caterers	\$502	\$479	\$23
Food Processing	\$486	\$472	\$14
Snack Bars	\$372	\$358	\$14
Mobile Food Carts	\$392	\$353	\$39
additional locations each	\$251	\$246	\$5
Restricted Mobile Vehicles	\$375	\$352	\$23
additional vehicles each	\$338	\$261	\$77
Unrestricted Mobile Vehicles	\$454	\$417	\$37
additional locations each	\$512	\$496	\$16
Food Demonstrators	\$166	\$158	\$8
Food Promoters	\$307	\$269	\$38
Taverns	\$319	\$310	\$9
Groceries <4 checkouts	\$179	\$158	\$21
Groceries 4-8 checkouts	\$235	\$233	\$2
Groceries over 8 checkouts	\$233	\$229	\$4
B&B Continental Breakfast	\$222	\$222	\$0
B&B Full service breakfast	\$394	\$394	\$0
Bakeries	\$357	\$339	\$18
Non-Profits	\$250	\$239	\$11

**SOURCE:** Division of Environmental Health Services and audit staff analysis